

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 — 0 0 9

2. STATE:

Minnesota

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES4. PROPOSED EFFECTIVE DATE
July 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.252

7. FEDERAL BUDGET IMPACT:

a. FFY '01 \$ 2,476
b. FFY '02 \$ 14,093

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19-D (NF), pp. 1-154

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Att. 4.19-D (NF), pp. 1-148

10. SUBJECT OF AMENDMENT:

Methods and Standards for Determining Payment Rates for Services Provided by Nursing
Facilities (Not State Owned)

11. GOVERNOR'S REVIEW (Check One):

- ☒
- GOVERNOR'S OFFICE REPORTED NO COMMENT
-
- ☐
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
-
- ☐
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Mary B. Kennedy

14. TITLE:

Medicaid Director

15. DATE SUBMITTED:

8/28/01

16. RETURN TO:

Stephanie Schwartz
Minnesota Department of Human Services
444 Lafayette Road No.
St. Paul, MN 55155-3853**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

9/6/01

18. DATE APPROVED:

10/31/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

Cheryl A. Harris

21. TYPED NAME:

Cheryl A. Harris

22. TITLE:

Associate Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:

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SEP 06 2001

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MEDICAL ASSISTANCE

Federal Budget Impact of Proposed State Plan Amendment TN 01-09 4.19-D (NF): Methods and Standards for Determining Payment Rates for Services Provided by Nursing Facilities (Not State Owned)

Proposed TN 01-09 proposes the following changes to nursing facility (NF) payment methodology:

- §1.020, item F, subitem (9) is deleted because §20.030 is deleted. See the discussion for §2.030, below.
- *✓ 11.049- Salary adjustment per diem continues until contracting payment system is effective, but not before July 1, 2003.*
• §11.051's current language is moved to new §11.060.
- new §11.051:
 - Item A: Provides for a 3 percent adjustment to the total operating rate for all NFs paid pursuant to the prospective rate-setting methodology. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 17 (Minnesota Statutes, §256B.431, subd. 31).
 - Items B and C: A higher rate will be provided for the first 90 days after admission for NFs paid pursuant to the prospective rate-setting methodology. For the first 30 days, the rate is 120 percent of a NF's MA rate for each case mix class, and for the next 60 days the rate is 110 percent of a NF's MA rate for each case mix class. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 18 (Minnesota Statutes, §256B.431, subd. 32).
 - Item D: A rate disparity increase is provided for low-rate NFs. An adjustment of up to 10 percent will be provided to facilities that fall below specified rates for metro and non-metro areas. The areas that are considered metro are specified in this item. Pursuant to First Special Session 2001, chapter 9, article 5, section 19 (Minnesota Statutes, §256B.431, subd. 33).
 - Item E: Two-thirds of the three percent adjustment, and one-half of the 90-day and rate disparity adjustments, must be used for employee wage-related increases. NFs must have a plan for distribution. Once the plan is approved, the rate adjustment is added to the NF's payment rate for the period 7/1/01, or the effective date of a NF's plan. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 20 (Minnesota Statutes, §256B.431, subd. 34).
 - Item F: Upon the approval of the Department, a NF may raise per diem rates for private-pay residents by the amount anticipated to be required upon implementation of the rate adjustments under items A through D. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 20 (Minnesota Statutes, §256B.431, subd. 34).

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- Item G: Adjustments for raw food costs that are related to providing special diets based on religious beliefs are excluded when calculating arrays, medians, or other statistical measure of payment rates to be used to determine future rate increases. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 21 (Minnesota Statutes, §256B.431, subd. 35).
- §11.052:
 - Item A: See §11.051, item A.
 - Item B: See §11.051, item D.
 - Item C: See §11.051, item E.
 - Item D: See §11.051, item F.
- §14.000: Current terminology is “long-term care consultation team,” rather than “preadmission screening team.” Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 4, section 6 (Minnesota Statutes, §256B.0911, subd. 3).

New legislation requires the long-term care consultation team to recommend a case mix classification for applicants and newly admitted residents when sufficient information is received to make that classification. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 4, section 11 (Minnesota Statutes, §256B.0911, subd. 4c).

- §15.1374, item G: New technology costs are allowed to be part of a moratorium exception project. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 4 (Minnesota Statutes, §144A.071, subd. 1a).
- §15.1374, item I: The replacement-cost-new limits for all building projects completed on or after July 1, 2001 are increased. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 16 (Minnesota Statutes, §256B.431, subd. 17(g)).
- §15.1374, items F, J & K: The Minnesota Department of Health cannot approve construction projects with costs over the new threshold of \$1,000,000. Language is added to state that the threshold above which NFs paid pursuant to the prospective rate-setting methodology must apply for a moratorium exception is increased to \$1,000,000. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, sections 3, 5 and 6 (Minnesota Statutes, §144 071, subds. 1, 2 and 4a).
- §15.1374, new item M: Rate increases for NFs meeting certain conditions. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 6 (Minnesota Statutes, §144A.071, subd. 4a(ee)-(ii)).

- new §16.020: NFs' case mix payment rates include adjustments to reflect the cost of increased Department of Health licensing fees. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 23 (Minnesota Statutes, §256B.434, subd. 4).
- §19.010, item B: see §14.000, above.
- §19.020:
 - Item A: See §19.010, item B.
 - Item C and following: The negotiated payment rate limit language for contracts for services for ventilator-dependents recipients is amended to delete the six month hospitalization requirement and eliminate the requirement that the recipient was assessed at case-mix classification K. The negotiated payment, for persons admitted before 7/1/01 (provided they do not already have a negotiated rate) cannot exceed 200 percent of the NF's multiple bedroom payment rate for case mix classification K. For recipients admitted on or after 7/1/01, the negotiated payment rate must not exceed 300 percent. Pursuant to Laws of Minnesota 2001, First Special Session chapter 9, article 5, section 15 (Minnesota Statutes, §256B.431, subd. 2e).
- §19.027: In 2000, §19.026, covering nursing facility closures, was added to the State plan to allow for an orderly, planned closure for up to seven nursing facilities owned or operated by a nonprofit corporation. Language provided for an interim rate for a facility that was closing and rate adjustments for facilities within the same organization that remain open based on the savings generated from ones that have closed.

This year, language is added that allows the Department to approve planned closures of up to 5,140 NF beds. A planned closure rate of \$2,080 for each closed bed will be provided. A rate adjustment for up to 50 percent for 60 days or less may be used to pay resident relocation costs or other costs related to the closure or downsizing, in which case the planned closure rate adjustment is delayed to offset these expenditures. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, sections 9 (Minnesota Statutes, §144A.161) and 27 (Minnesota Statutes, §256B.437).

- §19.060: In order to assist the long-term care system in attracting and retaining employees, for the July 1, 2001 and July 1, 2002 rate years, a \$.25 operating payment rate increase is provided to NFs to be used for employee scholarship costs and training in English as a second language (ESL). For rate years beginning on or after July 1, 2003, the .25 scholarship per diem is removed from the total operating payment rate, and the scholarship per diem is based on actual costs. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 6, section 6 (Minnesota Statutes, §256B.431, subd. 35*).
- * two separate sections of Laws of Minnesota 2001, First Special Session, chapter 9, legislation created new Minnesota Statutes, §256B.431, subd. 35 (see also §11.051, item G). The Office of the Revisor of Statutes will eventually renumber one of the new sections as Minnesota Statutes, §256B.431, subd. 36.

- §20.030 (separate billings for therapy services) is deleted. Minnesota Statutes, §256B.433, subd. 3a exempted NFs paid pursuant to the prospective rate-setting methodology, located in counties participating in the state's §1115 prepaid MA waiver, from §20.030. Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 22 exempts all NFs paid pursuant to the prospective rate-setting methodology from §20.030. However, the State plan has been incorrect, exempting NFs paid pursuant to §21.000 from §20.030 when, in fact, §20.030 applied (with one exception) to the §21.000 NFs.

Because the language of §20.030 applies to NFs paid pursuant to §21.000, pertinent language is moved to new §21.130.

- §21.060, items C and F: An increase for NF rates is provided for any increase in Minnesota Department of Health licensing fees taking effect on or after July 1, 2001. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 23 (Minnesota Statutes, §256B.434, subd. 4).
- §21.067:
 - Item A: Provides for a 3 percent adjustment to the total operating rate for all NFs paid pursuant to the contractual rate-setting methodology. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 17 (Minnesota Statutes, §256B.431, subd. 31).
 - Items B and C: A higher rate will be provided for the first 90 days after admission for NFs paid pursuant to the contractual rate-setting methodology. For the first 30 days, the rate is 120 percent of a NF's MA rate for each case mix class, and for the next 60 days the rate is 110 percent of a NF's MA rate for each case mix class. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 18 (Minnesota Statutes, §256B.431, subd. 32).
 - Item D: A rate disparity increase is provided for low-rate NFs. An adjustment of up to 10 percent will be provided to facilities that fall below specified rates for metro and non-metro areas. The areas that are considered metro are specified in this item. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 19 (Minnesota Statutes, §256B.431, subd. 33).
 - Item E: Two-thirds of the three percent adjustment, and one-half of the 90-day and rate disparity adjustments, must be used for employee wage-related increases. NFs must have a plan for distribution. Once the plan is approved, the rate adjustment is added to the NF's payment rate for the period 7/1/01, or the effective date of a NF's plan. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 20 (Minnesota Statutes, §256B.431, subd. 34).

- Item F: Upon the approval of the Department, a NF may raise per diem rates for private-pay residents by the amount anticipated to be required upon implementation of the rate adjustments under items A through D. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 20 (Minnesota Statutes, §256B.431, subd. 34).
- Item G: Adjustments for raw food costs that are related to providing special diets based on religious beliefs are excluded when calculating arrays, medians, or other statistical measure of payment rates to be used to determine future rate increases. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 21 (Minnesota Statutes, §256B.431, subd. 35).
- Item H: Rate increases for NFs meeting certain conditions. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 25 (Minnesota Statutes, §256B.434, subd. 4d).
- Item I: Rate increases for NFs meeting certain conditions. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 26 (Minnesota Statutes, §256B.434, subd. 4e).
- §21.068: Rate increases for NFs meeting certain conditions. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 5, section 24 (Minnesota Statutes, §256B.434, subd. 4c).
- §21.069:
 - Item A: See §21.067, item A.
 - Item B: See §21.067, item D.
 - Item C: See §21.067, item E.
 - Item D: See §21.067, item F.
- §21.080, item E: Language is added to clarify that when NFs paid pursuant to the contractual rate-setting methodology seek approval of an exception to the state's NF moratorium law (see §15.1374) in order to receive a rate adjustment, the projected costs of the moratorium exception project are not required to exceed the cost threshold, which is \$1,000,000 for project approved after July 1, 2001.
- §21.130: see §20.030.

- §21.140: Pertinent language from current §16.010 is moved here because the estimated annual cost of pre-admission screenings for NFs paid pursuant to the contractual rate-setting methodology are included as an allowable operating cost for payment purposes. Pursuant to Laws of Minnesota 2001, First Special Session, chapter 9, article 4, section 13 (Minnesota Statutes, §256B.0911, subd. 6).

The fiscal impact was measured by estimating the aggregate annual difference in the facilities' rates. The fiscal impact estimates are as follows:

	(in thousands)	
	<u>SFY 2002</u> (11 months)	<u>SFY 2003</u> (12 months)
Estimate State share cost/(savings)	\$13,026	\$10,280
State share percentages	48.89%	50.00%
Total estimated MA cost/(savings) (State share estimate divided by State share %)	\$26,643	\$20,560
Federal share percentages	51.11%	50.00%
Estimated federal share on SFY basis	\$ 13,617	\$ 10,280

The figures were estimated based on the State's fiscal year which begins July 1, 2001. The July 1 date coincides with the beginning of the nursing facility's rate year. The effective date of these changes is July 1, 2001.

The State's payment for nursing home services lags the provision of services by one month. The federal budget impact is then determined by converting the estimated federal share for the State's fiscal year to the Federal Fiscal Year beginning October 1, 2001, by dividing by the number of months payments are made in the State's fiscal year, and multiplying the result by the number of months those payments will be made in the Federal Fiscal Year.

	<u>FFY 2001</u>	<u>FFY 2002</u>
Estimated federal share of FFY basis	\$2,476	\$14,093

These amounts represent the estimated changes from approved TN 00-22's payment method.

**METHODS AND STANDARDS FOR DETERMINING PAYMENT RATES
FOR SERVICES PROVIDED BY NURSING FACILITIES
(NOT STATE OWNED)**

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**METHODS AND STANDARDS FOR DETERMINING PAYMENT RATES
FOR SERVICES PROVIDED BY NURSING FACILITIES
(NOT STATE OWNED)**

SECTION 1.000 INTRODUCTION

SECTION 1.010 General Purpose. The purpose of the Minnesota Medicaid methods and standards for determining payment rates for nursing facilities, which are not state-owned, is to provide for payment of rates in conformity with applicable state and federal laws, regulations and quality and safety standards. In determining the rates, the Commissioner of the Department of Human Services will take into account the mix of resident needs, geographic location, and other factors. Minnesota has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

Nursing facilities participating in the Minnesota Medical Assistance Program are paid either by a prospective rate-setting methodology described in Sections 1.000 to 20.000, or by the contractual rate-setting methodology described in Section 21.000. These methodologies, established in Minnesota statutes and rules, are described in this attachment.

SECTION 1.020 Overview. A very brief description of the overall rate setting mechanism may be helpful. Cost reports are submitted annually. Nursing facilities have a common reporting year of October 1 to September 30. The common rate year of July 1 to June 30, lags the report year. The submitted cost reports are desk audited to determine allowable costs and then subject to various other cost category limitations. The rates that are set are subject to appeal. Rates may be adjusted retrospectively for field audit and appeal resolutions. Nursing facilities in Minnesota cannot charge private paying residents rates which exceed the rate for medical assistance recipients receiving similar services in multiple bed rooms.

Minnesota's basic rate setting formula establishes an array of prospective payment rates that vary with a resident's care needs. The rate is composed of a care related rate plus other operating rate plus an inflation adjustment factor plus property payment rate. The total payment rate may include a shared efficiency incentive of up to \$2.25 per resident per day, provided the nursing home operates below the other operating cost limitations. This can be summarized by the following:

A. Care Related Costs

1. This type of cost is based on allowable care related costs from prior reporting years for each nursing facility. Only the nursing component varies with a resident's case mix.
2. Resident days and nursing care costs are adjusted using case mix weights to

determine proportion of costs allocable to each of eleven payment classes.

3. There are eleven rates for each nursing facility based on the relative resource use and case mix needs of the resident.

4. Until July 1, 1999, homes are grouped by three geographic locations which set limits on rates. Special purpose or characteristic homes maybe treated differently for purposes of applying rate limits.

5. Homes can also trade off nursing and other care related expenditures within the combined limits for those two cost categories. Beginning July 1, 1998, these two limitations do not apply, except for purposes of determining a facility's efficiency incentive.

6. The care related costs include nursing salaries and supplies and non-prescription drugs.

7. The other care related costs include food costs, social services, activities etc.

B. Overall Spending Limits Until July 1, 1999

1. Pursuant to Section 11.047, the operating rate paid to a nursing facility will not be more than its prior year's allowed operating costs plus inflation plus a factor above inflation (on a per diem basis).

2. Pursuant to Section 11.047, a nursing facility determined to be high cost when compared to similar nursing facilities shall have its per diem costs reduced.

C. Other Operating Costs Until July 1, 1999

1. These costs are grouped by geographic location to set limits. Beginning July 1, 1998, nursing and other care related expenditures do not apply, except for purposes of determining a facility's efficiency incentive. Similarly, the maintenance and administrative cost categories no longer apply.

2. There is an efficiency incentive. Homes can receive an additional payment if costs are under the Other Operating Cost limit.

3. The other operating costs include such costs as remaining dietary, laundry and linen, housekeeping, plant operations and maintenance, general and administrative, and the remaining payroll taxes and fringe benefits.

D. Adjustment Factor

1. Until July 1, 1999, all operating costs are updated annually by a 21 month inflation factor. The 21 month inflation factor accounts for the 9 month lag between the end of the reporting year (9/30) and the beginning of the rate year (the following 7/1). The Department contracts with an econometric firm to provide economic change indices for use in determining operation cost payment rates.

2. Until July 1, 1999, limits are established for a base year and are adjusted annually by a 12 month inflation index for the time period between the midpoints of cost reporting years. The process of indexing limits now extends to the overall spending limits.

3. Certain costs such as real estate taxes, special assessments, licensing fees, Public Employee Retirement Act pension contributions, and preadmission screening fees are passed through.

E. Property Payment

1. For the period July 1, 1992, to September 30, 1992, property rates continued as established under the current plan; that is, they will continue to be "frozen" with certain exceptions.

2. After September 30, 1992, a new property system took effect. That system establishes a minimum property rate equal to the greater of their current "frozen" property-related payment rate or \$4.00 per resident day. This rate may be subject to adjustment due to several factors which include:

a. An incremental increase as determined utilizing the State's former rental system with certain modifications such as a higher equipment allowance, adding the actual cost of a major projects with the application of a limit on investment, or the sale of the nursing facility.

b. An equity incentive payment which will encourage equity rather than debt financing of major projects. (effective 7/1/93)

c. A capital asset repair or replacement payment for purchases up to \$150 per licensed bed per year with a carryover of any excess. (effective 7/1/93)

d. A refinancing incentive for a refinancing that saves on annual interest expense payments (effective 7/1/93).

3. The sale of a nursing facility after June 30, 1992, may result in an increase in the nursing facility's property rate. The amount of that increase will be measured by the modified rental recalculation. An increase in interest expense is allowed within certain limitations. The amount of the "step-up" in the nursing facility's capital asset basis, if any, does not result in an a property rate increase since depreciation is not a component of property rate computation.

4. After September 1, 1992, nursing facility appraisals will no longer be needed except to resolve appraisal appeals. The nursing facility's appraised value will be indexed for inflation annually. Also, capital asset additions or deletions will be deducted from the indexed appraised values.

F. Contractual Rate-setting Alternative Method After August 1, 1995

1. A nursing facility may apply to be paid a contractual alternative payment rate instead of the cost-based payment rate established under Sections 1.000 to 20.000. Proposal requirements, selection criteria, limits, exemptions, and consumer protections are described in Section 21.000.

2. A nursing facility electing to receive an alternative payment rate must enter into a contract with the Department. All contracts entered into are for a term of one year.

3. Different contract terms may be negotiated for different facilities.

4. A nursing facility's case mix payment rates for the first rate year of a facility's contract is the payment rate the facility would have received under Sections 1.000 to 20.000.

5. Until July 1, 1999, a nursing facility's case mix payment rates for the second and subsequent years of a facility's contract are the previous rate year's contract payment rates plus an inflation adjustment.

6. A Medicare certified nursing facility electing to receive an alternative payment rate filing a Medicare cost report must comply with Section 21.080, item A. A nursing facility that is not Medicare certified does not have to file a Medicare cost report, but must file a cost report as described in Section 2.000.

7. Certain other exemptions, such as an exemption from auditing requirements under applicable state laws, are outlined in Section 21.000.

8. Participation in the contractual alternative payment rate setting method is voluntary. Participating facilities must continue to comply with all state and federal

requirements relating to quality assurances, vulnerable adults protections, residents' rights, and OBRA requirements.

~~9. Beginning with July 1, 1997 rates, the excess therapy revenue offset is waived pursuant to Section 20.030, item H.~~

G. July 1, 1998 Changes. Section 11.048 contains changes for this and subsequent rate years. The changes:

1. provide rate exceptions for certain nursing facilities by increasing the allowable care-related per diem and the operating cost per diem;
2. increases the spend-up limits and provides a one-year rate adjustment for a specific nursing facility that completed an approved replacement and remodeling project;
3. increases the care-related spend-up limit for a specific nursing facility that is exempt under current law from certain rate limits and has at least 75 percent of its beds licensed to provide residential services for persons with physical handicaps;
4. exempts a specific nursing facility from spend-up limits;
5. for all nursing facilities, eliminates the care-related, other operating cost, general and administrative, and plant and maintenance limits. These limits will be calculated only for purposes of determining efficiency incentives;
6. set a floor on nursing home per diem payments no lower than the rate in effect on June 30, 1998, subject to rate adjustments and audits;
7. combine the care-related per diem and the other operating per diem for purposes of establishing spend-up limits; and
8. require the Department to calculate the spend-up and high-cost limits by indexing each geographic group's median value by the CPI plus one percentage point.

SECTION 1.030 Definitions.

Actual allowable historical operating cost. "Actual allowable historical operating cost" means the operating costs incurred by the nursing home and allowed by the Commissioner for the most recent reporting year.

Addition. "Addition" means an extension, enlargement, or expansion of the nursing home for the purpose of increasing the number of licensed beds or improving resident care.

Applicable credit. "Applicable credit" means a receipt or expense reduction as a result of a purchase discount, rebate, refund, allowance, public grant, beauty shop income, guest meals income, adjustment for overcharges, insurance claims settlement, recovered bad debts, or any other adjustment or income reducing the costs claimed by a nursing home.

Appraised value. "Appraised value" means the value of the nursing home buildings, attached fixtures, and land improvements used directly for resident care as determined under Section 15.000.

Assessment form. "Assessment form" means the form developed by the Department of Health as adopted and used for performing resident assessments.

Attached fixtures. "Attached fixtures" means equipment used directly for resident care affixed to the building and not easily movable as specified in the fixed equipment table of the depreciation guidelines.

Buildings. "Buildings" means the physical plant used directly for resident care and licensed and auxiliary buildings in the nature of sheds, garages, and storage buildings located on the site if used directly for resident care. This definition does not include buildings or portions of buildings used by central, affiliated, or corporate offices.

Building capital allowance. "Building capital allowance" means the component of the property-related payment rate which is denominated as a payment for the use of building, attached fixtures, and land improvements.

Capital assets. "Capital assets" means a nursing home's buildings, attached fixtures, land improvements, depreciable equipment, leasehold improvements, and all additions to or replacements of those assets used directly for resident care.

Case mix operating costs. "Case mix operating costs" means the operating costs listed in Section 6.050 and the portion of fringe benefits and payroll taxes allocated to the nursing services cost category under Section 8.000.

Commenced construction. "Commenced construction" means the date on which a newly-constructed nursing home, or nursing home with an increase in licensed beds of 50 percent or more, meets all the following conditions:

A. The final working drawings and specifications were approved by the Commissioner of health.

B. The construction contracts were let.

C. A timely construction schedule was developed, stipulating dates for beginning, achieving various stages, and completing construction.

D. All zoning and building permits have been issued.

E. Financing for the project was secured as evidenced by the issuance of a binding letter of commitment by the financial institution, sale of bonds, or other similarly binding agreements.

Commissioner. "Commissioner" means the Commissioner of the Minnesota Department of Human Services.

Consulting agreement. means any agreement the purpose of which is for a central, affiliated, or corporate office to advise, counsel recommend, or suggest to the owner or operator of the nonrelated long-term care facility measures and methods for improving the operation of the facility.

Cost category. "Cost category" means the classification or grouping of similar or related costs for purposes of reporting, audit, cost control, and the determination of cost limitations.

Cost report. "Cost report" means the document and supporting material specified by the Commissioner and prepared by the nursing home. The cost report includes the statistical, financial, and other relevant information for rate determination.

Deletion. "Deletion" means the sale, destruction, or dismantling of a nursing home capital asset or a portion of a nursing home capital asset without subsequent replacement.

Department. "Department" means the Minnesota Department of Human Services.

Depreciated replacement cost method. "Depreciated replacement cost method" means the method of property appraisal which determines the value of a capital asset by establishing the replacement cost new reduced by depreciation.

A. "Replacement cost new" means the amount required to obtain a new asset of equivalent utility to that which exists, but built at current prices, with modern materials and according to current standards, designs, and layout.